



K mart's Tom Greenwood Says Chain Brought New Degree Of Price Competition To Memphis

K Mart Builds Memphis Success

By BRUCE SANKEY
Records, they say, are made to be broken.

But when the S. S. Kresge Company opened its first Memphis K mart store 14 months ago, the discount outlet set a company opening-day sales record that still stands. This, despite the opening of 117 more K marts in inflated 1974.

"I've never seen anything like it," says a still-awed Thomas W. Greenwood, manager of the record-blazing K mart on Summer.

The opening was akin to movie scenes of New York City bargain basements at inventory clearance time. People clamored over the store and one another. When it finally let up, the normally neat store was a near disaster.

Demand exceeded the supply of shopping carts early, and people began dragging cardboard boxes and garbage cans loaded with merchandise. Sixteen cash registers were hard pressed to handle the onslaught and customers lined up to the back of the 90,000-square-foot store for checkout.

The company declines to reveal sales figures for the store opening, but one source said the one-day total approached \$250,000.

Things have slowed to a more reasonable pace since then, but in a year when business success stories became more difficult to find, the Memphis K mart saga stands out like a beacon.

In a year's time, the three K marts here have become a major force in Memphis retailing, driving at least two other discounters to the wall, and siphoning off business

from some of the city's long-established, big-name department stores.

"We're pleased with all three stores and plan to open more," said Greenwood.

A fourth store will open in April at Interstate 55 and Stateline Road (Southaven) and, as many as four more stores are in the offing.

K mart's success is generally attributed to a four-pronged program that starts with careful market research and site selection and goes on to aggressive pricing and merchandising, strong customer service, and, finally, very intensive management training.

Greenwood seems to agree with simplified analysis. "A lot of people have asked

why we didn't come to Memphis sooner," he said. The answer goes back to Kresge's strategy, "Memphis was researched very thoroughly," he said.

Kresge research apparently showed that a number of retailers in Memphis were vulnerable. "We're taking customers away from other discounters but mainly we're taking them from department stores," he said.

Greenwood said inflation also has forced consumers to change their buying habits, switching from department stores to discounters. They've become more price conscious, he suggested.

"Mr. Ford suggested they buy smart, and many people have found they get a better value at discount stores. Our

stores have generally done better in a slow economy," he said.

The store manager cites two other factors basic to the Kresge approach as contributing to the acceptance here: Pricing and customer satisfaction policies.

"Our policy is to have the lowest prices. Other chains have that policy too, but we do it. We're constantly checking the competition. We will beat any price at our competition, or meet any price on merchandise they are selling at a loss."

The store manager even claims that K mart's entry into the Memphis market has had some ameliorating effect on general merchandise price inflation here.

Other discounters, he says, have become much more price competitive, taking lower profit margins to battle with K mart. "There has been a big change in every price here," he said.

January sales, even with recession, are slightly ahead of last year, Greenwood said. But they see definite softening of sales.

"The next two months will be telling. Then we get into

the Easter season and things should pick up."

But even with the uncertainties of the next few months, K mart doesn't plan to pull in its horns — it will remain aggressive.

"In slack periods we don't cut advertising," said Greenwood. "You've got to have advertising to get the people in. And if you don't get the people in, volume drops."

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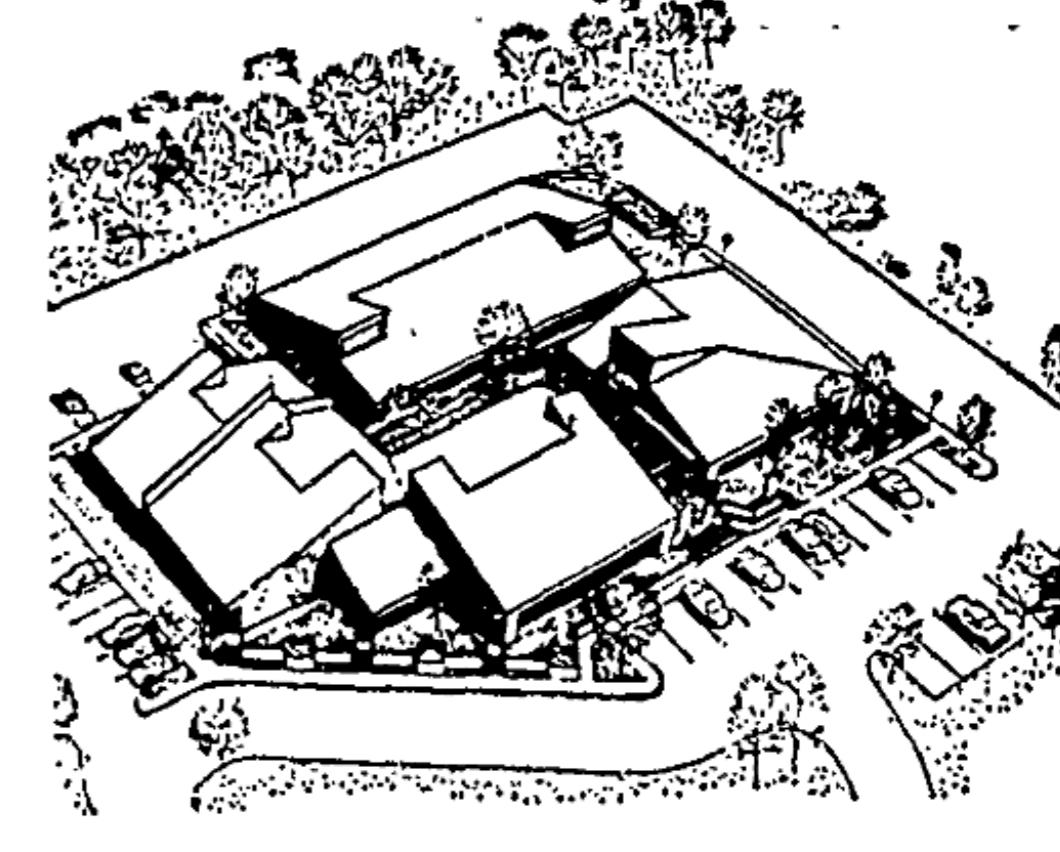
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U.S. Retailers Approaching Spring Buying Warily

By ISADORE BARMASH

The New York Times News Service

NEW YORK, Jan. 25. — "We're hoping for a couple of percentage points to gain in sales this spring," says Richard Roth, a retailer from La Porte, Ind. "But we're gearing our business for a 10 per cent decline and cutting our inventories to suit."

If this strategy is paradoxical, Roth is hardly alone in pursuing it. In the next 90 days or so, many American retailers will be buying new goods cautiously as if they expect a sales decline, although they will be hoping for an increase.

This is sharp departure from the retailing rule that you can't sell goods from an empty wagon. There are two reasons for it, both resulting from high inventories at the end of last year. Wholesalers' prices are softening, and

more supplies are available than before.

Typical retailers do not expect much increase in sales this spring as a result of the proposed federal income tax cut. Much of the tax rebate and reduced withholding, they feel, will wind up as savings or to go to pay off existing debt.

Jack Nagle, general merchandise manager of Rothschild's, a department store in Ithaca, N.Y., believes that money from the tax cut will be used to buy necessities, rather than luxuries. "But what's a necessity and what's a luxury today?" he asked. "A car and a TV set are necessities. Depending on how big and how widespread the tax break is, it might help our business at that."

A careful approach is suggested by another veteran retailer, Al Berk, general manager of Hutzler's, a specialty store in Fort Wayne, Ind. He said he suspected that the expected higher gasoline prices and fuel conservation measures in a year hurt suburban stores by keeping shoppers closer to home, as they did during the energy crisis last winter.

Clothing values look better to me than in a long time, and the supply possibilities are there if we want them," Berk said. "But, so far as our store is concerned, we have to guard at this time against becoming too promotional."

He emphasized a direct relationship between a bad economic news and retail sales. "When Fort Wayne papers carried stories about layoffs at Magnavox and International Harvester," he recalled, "we got a flurry of cancellations by customers who had put up layaway deposits on coats."

Most retailers said that

other retailers were interviewed recently at the offices of Independent Retailers Syndicate, a New York City buying office.

Roth, executive vice president of Levine's, a specialty store in La Porte, said he expected spring sales to be difficult because of consumer hesitancy. However, he thinks women will revert to their forthright shopping habits later this year. "Women naturally like to shop for new clothes and buy," he said.

Hugo Kahn, executive vice president of the Krauss Co., a New Orleans department store, said that for the first time in years leading producers of women's clothing were not increasing prices for the coming season. "We extended ourselves last season to buy goods to beat higher prices," he said.

Most retailers said that

were coming down, as much as 10 or 15 per cent from last year's levels.

"It is obvious that the public wants lower prices," said Nagle. "We retailers will have to give up, at least temporarily, on our 'key-stoning' (charging twice the wholesale price), even though it will reduce profit margins — as long as it will bring traffic into the store."

Most retailers said that

Taking Stock—

Dow Gains; Memphis Issues Lag

While some bullish economic news pushed the Dow Jones industrial average to a near 22-point gain this past week, only a handful of Memphis issues showed any life.

The week served to point out the dichotomy of the market. While there was increased institutional purchasing, especially of some of the depressed Blue Chips, most other issues were little changed. And the OTC market for local stocks was dead. (See table.)

Drug stocks assumed a somewhat more favorable stance with Schering-Plough one of the beneficiaries in

Schering-Plough posted a 2 1/2-point upswing. That left the stock at 48 1/8 and contrasted with the previous week's 33 1/4 loss.

Continuing strong, Woodward Corp. (NYSE) added 13 1/2 to 23 1/2, which came on top of its one-point advance a week earlier.

Malone & Hyde, Inc. (NYSE), which had been generally higher, dropped 5 1/2 to 18 1/2. The Memphis food distributor made its first appearance in the most active traded stocks Wednesday.

How Memphis Stocks Did Last Week

NEW YORK STOCK EXCHANGE

Yrly. Yrly. Wkly. Wkly. Wkly. Wkly. Wkly. Sales High Low Close Chg.

High Low 1974-75 2.00 31 23 22 24 23 25 +1 1/2
28 19 1/2 Conwood 69 11 1/2 11 1/2 11 1/2 +1 1/2
18 9 Federal Co. 1.00 7 6 6 6 6 6 +1/2
18 4 1/2 Holiday Inns 32 1.133 7 6 6 6 6 +1/2
26 1/2 13 Mal & Hyde .44b 1.544 18 7/8 17 7/8 18 1/2 -1/2
75 7/8 13 Mal & Hyde .44b 1.544 18 7/8 17 7/8 18 1/2 -1/2
85 1/2 10 United Inns .10 .46 23 1/2 21 1/2 23 1/2 -1/2

AMERICAN STOCK EXCHANGE

14 1/2 9 1/2 Cook Ind. .40 45 11 1/2 10 1/2 10 1/2 -1/2
2 1/2 1 1/2 United Foods 73 1 1/2 1 1/2 1 1/2 -1/2
21 1/2 5 1/2 Valmac 60 20 7 1/2 7 1/2 7 1/2 -1/2
a—Also extra: a—Annual rate plus stock dividend.

OVER-THE-COUNTER STOCKS

Div. Wkly. Wkly. Wkly. Wkly. Net
Rate high low cl. chg.

High Low 1974-75 1 1/2 Alodex 1 1/2 1 1/2 1 1/2 1 1/2
4 1 1/2 Wm. Bond, Inc. 11 1/2 1 1/2 1 1/2 1 1/2
3 1 Burk Hall Paint 1 1 1 1 1
10 1/2 3 Crump, EH 20 4 1/2 4 1/2 4 1/2 +1 1/2
7 1/2 35 1/2 Distribuco 5 1/2 5 1/2 5 1/2 5 1/2
21 1/2 6 1/2 1st Tenn 44 8 1/2 8 1/2 8 1/2
1st Memphis Realty Trust: 3 SBI 4 1/2 4 1/2 4 1/2 4 1/2
1 1 1/2 WTS 2 1/2 2 1/2 2 1/2 2 1/2
3 1/2 2 Guardsmark 12 2 1/2 2 1/2 2 1/2 -1/2
1 1/2 1/2 Medicenters 1 1/2 1 1/2 1 1/2 1 1/2
9 1/2 7 1/2 Memphis Trust 38 7 1/2 7 1/2 7 1/2 7 1/2
17 9 Morrison's 14 12 1/2 13 1/2 13 1/2 1 1/2
13 1/2 1 1/2 Perkins Foods 3 1/2 3 1/2 3 1/2 3 1/2
14 1/2 6 1/2 Piper, Ind. 6 1/2 6 1/2 6 1/2 6 1/2
25 1/2 13 1/2 Raiford's 12 2 1/2 2 1/2 2 1/2 2 1/2
5 3 1/2 Scottish Inns 1 1/2 1 1/2 1 1/2 1 1/2
17 1/2 13 1/2 Scripps-How. Brd. 15 1/2 15 1/2 15 1/2 +1 1/2
1 1/2 1 Servco 1 1/2 1 1/2 1 1/2 1 1/2
21 1/2 23 1/2 Southern Airways 2 1/2 2 1/2 2 1/2 2 1/2
6 1/2 6 1/2 Union Planters Cp. 69 10 10 10 10
4 1/2 1 1/2 Union Service 11 1/2 11 1/2 11 1/2 11 1/2
6 3 1/2 UT Bank 28 4 1/2 4 1/2 4 1/2 4 1/2
13 4 1/2 World Serv. Life 5 1/2 5 1/2 5 1/2 -1/2

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